

Executive Summary:

This report presents a position on the Fiscal Outlook of the City of San Diego compiled by a special citizen's task force. This task force was comprised of business leaders and professionals with expertise in the management of large and small organizations, municipal government, non-profits and educational institutions met weekly over a four month period to study the overall status of the City's fiscal position. The task force reviewed relevant City of San Diego data and records, (IBA Report #: 09-75, Personnel Expense Analysis, Per Capita Income Comparison, City Revenue Comparisons, Fiscal Year 2001-2015 Five-Year Financial Outlook), as well as similar data from other comparable municipalities. The task force interviewed members of the City's executive staff (including Jay Goldstone and his fiscal team). Also interviewed were the City's Independent Auditor and the Independent Budget Analyst - Andrea Tevlin - with her fiscal team. The task force met with representatives from the County of San Diego, various local constituents, including organized labor, non-profits, private business and citizens groups, and various subject matter experts with expertise that covered trash, IT, public benefits, and municipal bankruptcy. Conclusions and recommendations have been developed on ways to address the issues identified. In the end, the task force confirmed that a major structural deficit exists, which if not fixed with permanent actions will permanently jeopardize our claim to be "America's Finest City".

Task Force Members:

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Current Fiscal Status of the City of San Diego:

The City's current fiscal outlook is very dire; Mayor Sanders has recently disclosed that, absent meaningful actions taken at this time, current projections indicate an unprecedented shortfall in the FY2011 General Fund operating budget of ~ \$179Million, which is nearly 17% of general fund revenue:

	FY2011	FY2012	FY2013	FY2014	FY2015
General Fund Revenues:	\$1,061.6M	00.00	00.00	00.00	00.00
General Fund Expenses:	\$1,240.7M	00.00	00.00	00.00	00.00
Projected Shortfall:	(\$179.1M)	00.00	00.00	00.00	00.00

Andrea Tevlin, City Council's Independent Budget Analyst, has reviewed these projections and concurs that the basis and assumptions for deriving these projections were sound; in fact, she states that these projections may be optimistic and do not fully take into account certain items that could make the actual results worse. The IBA forecasts a potential worst-case scenario that may result in a FY2011 shortfall of not \$179 million *but instead it could be as large as \$230 million*.

There is no dispute that the budget shortfall is severe and will not correct itself without major fiscal changes that are structural¹ in nature and are designed to provide long-term solutions.

We must discontinue the process of using fund transfers, deferral of current year expenditures or underfunding obligations of future benefits that simply result in the moving of a current year deficit

¹ Throughout this report, we will refer to Structural changes or fixes. These are intended to mean fundamental, strategic changes in how the City manages its affairs.

to the following year or years. The City must not delay developing a permanent solution to what seems to be a perpetual emergency budget deficit cycle. To do so could put the city at risk and potentially in default of its credit obligations. We strongly recommend against interim one time fixes that are predicated on the assumption that the future will be better than the present.

How did the City get here?

- The City has been “living beyond its means” for a number of years, deferring important expenses and postponing or underfunding a number of obligations that now must be addressed (such as aging infrastructure, underfunded retirement plans, and unfunded retiree medical benefits).
 - *The fact that some City officials believe, “that temporary revenue or expenditure shifting or inappropriate reserve depletion is necessary given the current tough times and we will make it up when economic times are better”, has damaged the City in the past. Hope can never be a strategy.*
 - *The fact that the City officials chose to push out these costs to future year’s taxpayers has finally caught up with the city.*
- The City has granted employee benefits, including generous pension programs and retiree medical benefits that have grown to an unsustainable level and have not been funded adequately.
 - *The fact that these benefits were basically unaffordable was masked for several years by overt accounting manipulations, namely not funding the full actuarially required annual contributions to the pension fund and not funding any of the actuarially computed cost for retiree health benefits (other than the “pay as you go” cash expenses of existing retirees)*
 - *The costs, while not being recognized by the City in its annual budget, have continued to grow at a compounded rate with interest.*
 - *For example, in 1994 the City’s budget for pension expense was 6% of payroll cost. Today, 15 years later, the cost is now 28% of payroll (and growing) for pensions.*
- The City has not taken substantive action to provide City services in the most efficient and cost-effective manner possible. For example in November 2006, under Proposition C the voters mandated Managed Competition, which would yield more efficiency and lower cost. To date the City has simply not implemented the Managed Competition mandated by the vote of the people.
- The current economic recession has been deeper and may last longer than originally forecast. This has impacted nearly every taxpayer in the City and has severely impacted revenues that the City depends on. Revenue is down \$67 million without commensurate cost cuts.
- The City raises the least General Revenues per household, as percentage of household income, of any of the ten largest cities in California.
- The City provides some services selectively to some residents with no cost recovery to the General Fund while charging other residents and businesses for the same service. Examples include:
 - Residential trash collection
 - Storm water compliance

Task Force Observations:

- The exclusion of the full cost of City paid Retiree Health benefits in the financial forecast is unacceptable; the City must either:
 1. Fully fund not only the pay-as-you-go costs for existing retirees but also the total actuarially accrued cost being currently incurred for existing employees

- (and the cost of the past service liability for employees' prior years of service) which has never been expensed or funded, or,
2. The City must explicitly announce to its employees that they no longer will have unlimited retiree health benefits.
 - The City cannot have it both ways (i.e. not accruing for the expense of current employee retiree health benefits because those benefits are not "vested benefits" while at the same time continuing to tell the employees that this benefit will continue).
 - The task force concluded that even though the number of City employees seems in line with comparable cities, the City's unit cost of labor is extremely high.
 - The cost of benefits, particularly pension and retiree health, is substantially higher than benefits provided in the private sector.
 - These benefit costs are a principle cause of the City's financial crisis; such costs are simply unaffordable given the City's current revenue structure. We believe they are unnecessary to operate the City and are also unjustifiable in the current market environment.
 - It is noted that this situation is not unique to San Diego; many other municipalities in California are facing budget crises due to this same issue: unaffordable employee costs. The city of Vallejo is already in bankruptcy due to this issue.
 - Municipalities have repeatedly ratcheted up their labor costs to the highest comparable city wage scale, independent of the broader private sector labor market rates.
 - The task force took note of inherent obstacles to efficiency in municipal operations.
 - Unlike in the private sector, there is no "bottom line" metric with which to evaluate performance and efficiency
 - In the private sector an operating entity must earn a profit on its invested capital or it simply ceases to exist
 - This built-in discipline is inherently absent in government operations
 - Civil Service rules hinder personnel changes that would otherwise be made if "at will" employment rules similar to those used in the private sector were in place.
 - The net result is that it is exceedingly difficult (in practice if not in theory) to discharge an unacceptably performing employee. The consequence is a further increase in the cost of City operations.
 - While the vast majority of City employees are competent, diligent workers, the forced toleration of underperforming employees is a serious morale problem, which over time reduces overall efficiency.
 - The task force also concluded that the taxpayers have shown no real interest in increasing their tax burden to pay for the very high costs of City worker benefits. The City should not be in the business of assuring high value employment. Rather, the City should focus on delivering services to the taxpayers at the best value possible.

Recommended Course of Action:

1. First and foremost the City must find a way to reduce its unit cost of labor to affordable levels more comparable to that in the private sector. It is unacceptable and unsustainable for citizens to have to reduce service levels to finance an excessive City worker benefit structure. This will take aggressive and innovative action.
2. The Mayor and Council must have the political will to immediately declare a Fiscal State of Emergency and freeze all spending at 2009 levels.

3. Immediately eliminate the current 800 vacant positions from the budget. The presence of these vacant positions, while allowing for some operational flexibility, is problematic and could serve as a departmental expense “slush fund”.
4. The City must immediately reduce, at a minimum, the quantity and/or quality of services that it provides to its citizens by eliminating sufficient cost to equal \$179 million deficit in the 2011 budget.
5. The City must immediately implement the voter approved Managed Competition Ordinance and begin to deliver the remaining services in a competitive and cost-effective manner either by City workers or by the private sector; whoever can provide the services at the lowest cost to the citizens. This is a structural change already mandated by the voters and must be pursued with the utmost urgency.
6. Formally adopt the concept of a two year budget cycle in order to eliminate the failed practice of pushing current year liabilities into the next year as a way to avoid properly resolving the current year fiscal shortfall.
7. The City should adopt the concept of ‘Poison Pill’² to enforce a new fiscal management process. This will require an immediate pre approved formula for meeting future revenue shortfalls should the Mayor and City Counsel be unable to structurally solve the problem using normal procedures.
8. If the City Council is unable to make the required structural cuts that will balance the 2011 budget without accounting gimmicks, a “Citizen’s Initiative” should be placed on the ballot that forces a permanent reduction of City staff, by 1,500 people – which should yield a structural reduction of more than \$100 million once other long-term liabilities are included.
9. The City should immediately implement a plan to promote business expansion and growth in the City of San Diego. We compete with other cities for business expansion and must not lose our focus. The continued loss of business-related revenue will deal a major blow to the City’s economic prospects. Importantly, superior fiscal management of the City’s resources will go a long way to improving our ability to attract new businesses and the attendant taxpaying employees.
10. Once permanent fiscal disciplines have been implemented and exhausted, the City should seek voter approval to create new fees and/or taxes to support delivery of the remaining service levels that the citizens deem to be essential core services starting with Storm Water Compliance and Trash Collection.
11. Establish a civic fact based dialogue with citizens from all walks of life to establish a common vision of what services voters want and how much are they willing to pay for them.
12. **Failing all of the above**, the City should consider seeking injunctive relief by filing for Chapter 9 Bankruptcy protection to allow the City to put its long-term fiscal house in order. Importantly, it would not be inappropriate to start laying the groundwork for this process now. The City still has modest maneuverability at this stage making Chapter 9 a less onerous and painful solution for structural change than if it is postponed to the last minute.

The task force believes that a combination of items 1-11 will solve the budget deficit without having to seek bankruptcy protection. The voter initiative provides a powerful incentive for City leaders to make hard and difficult choices now – otherwise the public will make the choice for them. It is reasonable to assume that there will be considerable differences of opinion among citizens and political decision makers on the specific services to be charged for, reduced or eliminated. In light of

²Poison Pill - See NY example

Institute a plan that is immediately implemented in the event of multi-quarter deficits. The plan would automatically include an across the board cut of “all” services plus an automatic fee hike of all fees. No one would be spared and no one will be happy however it will motivate Council and the Mayor to manage and operate the City in a way that guarantees real-time fiscal stability. Details of said plan would have to be developed with input from the public and a Charter amendment would be required.

this, the task force has established a set of 'Core Principles' to be used as a guide in the inevitable discussions and debates.

Core Principles

1. *Institute Sound Fiscal Management Practices*

The City must live within its means. This necessitates a full and honest budgeting process which accounts for all costs being incurred during the budget year, both out of pocket cash costs as well as properly funding reserves for costs of benefits being accrued currently but to be paid in future years including maintenance costs for current wear and tear usage which will have to be paid in future years, as well as for statistically derived necessary reserves for "self insured" liability exposures such as workers compensation and for City legal liability claims.

2. *The City must not use onetime accounting deferrals to solve structural budget problems.*

3. *The City is a service provider; not an employment agency*

Its purpose is to provide essential services to its citizens. It is not the purpose of the city to provide direct employment opportunities to its citizens but rather to employ people where the private sector is unable to efficiently and effectively, in a competitive arena, provide such services that the City Charter requires and/or the City chooses to provide its citizens.

4. *Without a mandate from the voters to the contrary, the City must only provide the 'Core Services' that it can afford*

The City should identify those essential services required by law or charter and fund only those services that existing revenues can support.

- State law and the City charter delineate those services that the City must provide (i.e. police department, fire department, water utility, public works services, water services, building inspection services, public health services, park and recreation services, library services and such other services as maybe desired and authorized by Council by ordinance).
- Unfunded state and federal mandates must also be provided for (i.e. storm water, waste water, clean water, ADA and State requirements to provide trash collection, OSHA, etc.)

5. *Practice high quality "Cost-Efficient" Business Management*

Except for those services that cannot be outsourced by law, the City should provide all other services using the most cost-effective means, whether this be by utilizing city employees, contractors, suppliers, or outside service providers. The City does not exist to provide employment opportunities for its citizens. The City exists to provide essential services to its citizens - whether those services are provided by city workers or private contractors - in the most efficient manner possible. The public has been very clear that managed competition is a process that they want implemented so the public can receive the appropriate level of services at the lowest cost. The City should utilize alternative approaches to improving the efficiency and effectiveness of its operations; including automation, managed competition, and contracting out. Due to labor contract provisions, such as generous pension plans, retiree medical benefits, etc. the fully-loaded City employee unit cost is very high; therefore it is critical that the City act to reduce this high unit cost immediately.

6. *Enterprise Funds must be scrutinized*

- a) Eliminate those funds that could be privatized and converted to revenue without expense or liability to the City, (i.e. IT, golf courses, airports), so that the City can focus on its core mission.

- b) Set up new funds that will require services provided to be self-funded, (i.e. storm water compliance, trash, landfill management), not funded out of the General Fund.

7. *General Tax and Fee Increases are considered only as a last resort*

As a general principle, general tax and fee increases should be set as low as possible while at the same time be sufficient to pay for the services needed to provide for an acceptable or even desired level of service to the public. The City does have a responsibility to attract and retain businesses in San Diego while providing a superior environment for its citizens to live and work, however its tax and fee policy should not be so high as to drive businesses or citizens out of the City of San Diego.

Quality of life is always an appropriate consideration for future generations and its ability to attract new businesses and citizens to America's Finest City. Said differently, we realize we can't save our way to prosperity. Nevertheless, any tax should be set as low as possible while at the same time be sufficient to pay for the services needed to provide for an acceptable or even desired level of service to the public.

8. *Avoid raiding reserve accounts or rainy day funds unless there is a declared public safety emergency*

The concept of reserve funding is to protect the City against future substantive risk. Reserve funding is a "best-practice" and should never be considered a slush fund to balance year-end short falls. Disciplined use of reserves should require a high profile action (like the declaration of an emergency by the Mayor and City Council) so the public is aware they are being used and then only as an absolute last resort.

9. *The City's use of long term bond financing should only be utilized for new capital projects which have a useful life that is at least equal to the maturity of the bond financing.*

Bond financing should never be used to pay for the maintenance of existing assets. Such cost should be paid out of current year operating funds or reserves. In an ideal world, replacement reserves are started at the beginning of the life of any new structurally permanent asset (i.e. City Hall) so it can be replaced at the end of its useful life without costly debt financing.

Potential suggestions from others that do not address the structural issues:

	<u>FY2011</u>	<u>FY2012</u> <u>Budget Impact</u>
2011 Projected Budget Deficit (as of 10/09)	(\$179 Million)	
<u>One time transfers</u>		
<u>Delay</u> by 12 months the reserving of ADA	\$5 Million	(\$5 Million)
<u>Delay</u> by 12 months the reserving of Workers Compensation	\$5 Million	(\$5 Million)
<u>Delay</u> by 12 months the reserving of Legal Liability Fund	\$6 Million	(\$6 Million)
<u>Continue</u> Pay-As-You-Go for retiree health benefits at base level	\$20 Million	??
<u>Raid</u> entire City Reserve Fund Balance for one year	\$80 Million	(\$80 Million)
<u>Extend</u> \$32 million McGuigan Lawsuit payment to 5 years vs two years	\$25 Million	(\$7 Million)
<u>Delay</u> one-time expenses and shift into 2012 budget year	<u>\$15 Million</u>	(\$15 Million)
New Deficit Total	<u>(\$23 Million)</u>	<u>(\$23 Million)</u>
Beginning FY2012 deficit (PLUS additional OPEB growth)		<u>(\$141 Million)</u>

As you can see, there are a number of short-term tactics that appear to reduce the budget shortfall for FY2011 without making a single structural cut in personnel or services. However, this only defers and exacerbates the problem. We have seen the State of California practice this sort of short-sighted budgeting in the past and it has always been met with public dissatisfaction.

Leadership requires making difficult decisions. Practicing good fiscal leadership involves protecting the financial viability of the City of San Diego by making good decisions based on best practices. Once and for all, we must face up to the imbalance that has been created by our past refusal to address these issues. We have been here before. Allowing for one-time transfers is disingenuous and destructive since this only makes the FY2012 budget even more out of balance. We need solutions that actually repair and balance the FY2011 budget while doing no damage to the FY2012 budget.

The task force strongly believes that any attempt to simply use fund transfers only serves to remind the public that the City leaders have chosen to ignore the painful lessons of our recent past. Additionally, the City is still under a probation order as a result of past financial misdeeds. It is possible that any attempt to utilize inappropriate one time fixes in lieu of structural changes in balancing the budget may violate the conditions of the City's probation agreement with the Securities & Exchange Commission.

Closing Comments

It is important to note that since 2005, the City has made significant progress in addressing many of its financial challenges. However we are currently facing a minimum projected \$179 million dollar deficit for 2011, virtually all of which represents a structural deficit whereby without permanent change we will have to deal with this shortfall each year. In fact by many accounts, the structural deficit could easily be significantly larger.

There have been a number of solid accomplishments by the Mayor and the Council that are putting the City back on a more efficient path. The truth is that many of the recent fiscal changes will create savings in the future. By all accounts, the City employs a capable workforce of people who seem to be working in the best interest of our citizens. We are, however, still paying for past mistakes. Any real long term remedy is going to be very difficult but necessary to resolve our fiscal imbalance between current revenues and cost of services. Current workers did not create the problems we are facing, yet they are going to be greatly impacted by any sustainable solutions to the City's chronic budget deficit. Simply stated, major cuts in personnel, benefits and services, as well as increases in revenue are in our judgment, unavoidable. The City must develop a plan that eliminates the FY2011 deficit with structural changes, not one time fixes.

Conclusion:

The City must resolve the \$179 million dollar deficit before January 2010 without gimmicks or short-term deferrals like account shifting or reserve funding delays. The sooner the deficit is resolved, the lower the shortfall for FY2011 will be. Action initiated prior to the first of the year will result in less drastic cuts going forward. Since substantial revenue increases cannot be realized prior to a public vote in June or November 2010, the budget must be balanced primarily with structural cuts in services. If the City cannot balance the General Fund operations budget while continuing to honor all past obligations by January 2010, a "Citizen's Initiative" should be placed on the June ballot that will specifically call for permanent cuts in City staffing. If the Council fails to act and the initiative fails, bankruptcy filing must be considered.

The City must change the way it does business. Stop the half truths, unfunded mandates and budgetary gimmicks. We can no longer promise what we cannot afford. The task force herein recommends several near term solutions but we must stay focused on the bigger problem; the practice of making promises that we do not properly fund or pay for - or history will likely repeat itself. Once the budget is brought into structural balance we must continue to be vigilant in our stewardship of the quality of life. We do not propose only cuts in services and/or costs as saving our way to prosperity. We must determine what quality of life citizens require and are willing to pay for.

We are asking our elected officials to show the political will to make the difficult decisions to permanently address the deficit once and for all with true structural reform. The time to act is now to preserve our claim as America's Finest City.

Additional Information from the Task Force

The Task Force had a number of in-depth break-out sessions where we discussed the structure of the City's fiscal problems. We used these sessions to brainstorm ideas from cost cutting, revenue increases and looking at the entire Civil Service structure and its impact on the way the City operates today and how it might act differently in the future. To follow are excerpts from our brainstorming sessions

Development Impact Fees

One of the more difficult questions that we were unable to resolve dealt with Development Impact Fees. Further extensive study of these fees is required.

1. How much has the City collected?
2. How long are the fees held?
3. If the project for which the fee was collected never eventuates when does the fee get returned and to whom is the fee returned?
4. How can the fees be used for projects that the fee was never collected to fund?

Cost Cutting Suggestions:

1. Consider the sale of under-utilized city real estate assets. This is not “new revenue” since it involves the sale of an asset however the revenue received can be used to retire other Capital debt/bond obligations which will relieve the General Fund of on-going expense. Importantly, this action will serve to demonstrate to a possible Chapter 9 bankruptcy Judge that the City has indeed exhausted all of its financing alternatives to avoid insolvency. Note, there is no requirement in insolvency to mortgage the quality of life of future generations of San Diegans.
2. The City must find a way to reduce what has heretofore been deemed “vested retirement benefits”. The City must make a firm decision on whether it wants to and, importantly, can afford to grant retiree health benefits. If such benefits are to continue the City must immediately commence fully funding the actuarially required annual amount. If the City decides it cannot afford such (as the Task Force believes to be the case) then the City must formally announce to its employees that the benefit has been eliminated. It is the Task Force’s recommendation that the benefit be eliminated after an appropriate notice period.
3. As one means of dealing with the excessively high unit cost of City labor, the City should, except for essential public safety services (i.e. police, fire and lifeguard) aggressively investigate every opportunity to simply outsource to the private sector the performance of the service to the public. Such outsourcing should only be pursued where adequate private sector competition exists and that continued quality of services provided can be assured. While simple outsourcing would be superior, a fall back would be to aggressively implement the long overdue “managed competition” initiative which was mandated by the vote of the public.
4. The Task Force does not suggest trying to reduce pension benefits of existing retirees nor the pension benefits that existing employees have already earned to date. Rather the issue is reducing the benefits (i.e making them market competitive) to be earned by the existing employees over the remainder of the working lives.
5. If one argues state law prohibits such reductions in “vested” benefits unless there is a corresponding increase in benefits to the employee elsewhere, then the following areas are suggested to be studied;
 - The City Charter calls for the cost of a normal pension to be shared 50 -50 between the City and the individual employee.
 - The city should immediately (through Meet and Confer) stop paying any City “pick up” of the employee’s 50 % that still remains from prior labor negotiations.
 - The City, as the Plan Sponsor, should aggressively challenge with the Plan Administrator (SDCERS) the underlying logic and the computation of the current 50 -50 calculation. In 2002 the employees paid (before the City picking up almost this entire amount) 10% of their salary while the City also paid 10%. But in 2009, the employee pays 10% while the City pays 30%. For example, past service liability is not 50-50 shared. Thus when a

benefit increase was granted to employees, the normal cost of that increase going forward was 50-50 shared, but the cost of that increase being granted retroactively for past service was not 50 -50 shared. What is the logic or fairness to the taxpayers of such? Can that “error” be reversed? Similarly, actuarial losses (or gains) are not shared 50-50. Thus if actual results compared to actuarial assumptions for things like employee turnover, average pay increase, service purchase subsidies vary, the cost implication is 100% borne by the City.

- Does “normal cost” include the 13th check? The COLA? If these are not part of “the cost of a normal pension to be 50 -50 shared” then are these truly “vested benefits” or can they, like retiree health, be eliminated.
 - Disability accounts for \$319 million of the current \$3.3 billion present value of pension benefit liability. The disability benefit has been deemed to not be part of the “cost of a normal pension” which is to be shared 50 -50 between the City and the individual employee. If disability is in fact “different”, then can it be eliminated as not being a vested benefit the same as retiree health? (Or can the potential elimination of it be traded off for reductions in the current pension benefit formulas?
 - The City should aggressively change their policy to preclude employees from simultaneous “double dipping” in both workers compensation and disability pension payments. This used to be prohibited but apparently was negotiated away in Meet and Confer. The City should stop paying both a disability payment plus a “top off” to get up to regular full pension. The employees should be required to chose one or the other, a disability pension or a service pension (the disability pension is desirable since it is partially income tax exempt. The City should aggressively monitor all people receiving disability to ascertain whether their disability continues or whether in fact they are gainfully employed elsewhere despite their disability. (In fact, disability administration is an excellent candidate for outsourcing as it has become an area requiring considerable experience and expertise, especially in times of economic stress for workers.) Such periodic confirmation efforts appear to be required by Muni code section 24.0407 but apparently not being pursued. The City should aggressively investigate changing the definition of what city employees can do in terms of job content (i.e. a limited duty concept) in lieu of simply “pensioning them off “ on to disability. This is particularly acute in the safety area and the notion of what a “sworn police officer” must be able to do to remain active.
6. The City should aggressively investigate the possibilities of modifying and limiting the protection granted its employees under the Civil Service regulation.
- 1) A more balanced solution between protecting the employees against political patronage and the current state of extreme difficulty in demoting, reassigning and discharging inadequate performers
 - 2) At a minimum the City should work to dramatically stream line the current employee review, warning, discipline and discharge process.
 - 3) The City should reevaluate its current competitive pay scales to a more hybrid structure which defines the marketplace as a hybrid of Civil and private sector competitive pay for comparable jobs.

Revenue Generating Suggestions:

The City of San Diego raises the least General Revenues per household, as percentage of household income, of any of the ten largest cities in California. Therefore it may be reasonable that once the City has implemented long-term fiscal policies that do not create future deficits and successfully restores the trust of the Voters, and a shortfall remains; the City may look to the voters to approve new revenue.

Below are a few potential sources of new revenue for the City. By listing the items, the task force is not specifically endorsing the revenue concept or expressing any preference.

1. The following potential revenue generation sources should be looked into:
 - Transient Occupancy Tax (TOT)
 - Storm Water Compliance fees
 - Real estate transfer tax
 - Business license fee
 - Refuse collection fee
 - Utility users' taxes
 - Parking meters
 - Fire protection zones

Other Comments:

In addition to new revenue, it is possible that the City may be providing services that the private sector can provide without the employment of City workers. Therefore the public can still receive the benefit of the service and the city can be relieved of the operations liability, expense and long-term future pension/retiree health expense.

1. Privatize the City's golf courses and receive new General Fund revenue
2. Outsource the operation of Brown Field and Montgomery to the Airport Authority and receive new General Fund
3. Evaluate other service that a city with a smaller workforce will be unable to provide that can be provided by other public agencies or the private sector.
4. Non-core services that are currently being provided without a self-sustaining revenue source should immediately be eliminated as a future City obligation.